Alberta Economic Development

# Global Economic Outlook 2003 - 2004

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Policy and Economic Analysis

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# HIGHLIGHTS

- According to international forecasting agencies, the **world economy** grew by between 2.8 and 3 percent in 2002, an improvement over 2001, but lower than the long run average of 3.4 percent. This was largely the result of a recession in South America and very low growth in the euro region and in Japan. **World trade** volumes started to recover in 2002, led by strong export growth in Asia and Eastern Europe.

- Economic growth in 2003 is expected to be only marginally higher than in 2002, as a result of very weak economic conditions in the first half, caused by the slumping stock market, the Iraq war and more recently SARS. In 2004 the world economy should expand by at least 3.7 percent. World trade growth will continue to strengthen in 2003 in 2004.

- In 2002, **Canada** had the highest economic growth of the G7. GDP increased by 3.4 percent, fueled by strong domestic demand and inventory rebuilding. Lower growth of 2.7 to 3.2 percent is forecast for 2003, because of declining net exports (exports minus imports), and of 3 to 3.4 percent for 2004.

- Strong consumer and military spending boosted the **US** economy in 2002. However, by the end of the year growth had weakened again and remained weak in the first quarter of this year. As a result, economic growth in 2003 may be slightly below the 2.4 percent registered in 2002. The US economy is anticipated to grow by 3.1 to 4 percent in 2004.

- **Japan**'s economy remained weak in 2002, with 0.3 percent growth. Exports were strong, but consumer demand was sluggish and capital investment declined. Recent economic data suggest that growth will remain weak at best in 2003, because of very weak domestic demand.

- Most other **Asia Pacific** economies expanded strongly in 2002, because of strong consumer spending and intra-regional trade. The current bullish forecasts for China, Hong Kong, Taiwan and Singapore will likely be too high because of the effects of SARS on these economies in the second quarter.

- The **European Union**'s economy grew by only 1 percent in 2002, due to low confidence levels and geo-political uncertainty. Similar growth is forecast for 2003. Economic output likely declined in the first quarter and will likely be flat in the second quarter. Germany may already be in another recession, and is expected to see minimal growth over the next 12 months.

- With Argentina and Venezuela in a recession, **Latin America**'s economic output declined in 2002. Weak consumer spending and Venezuela's crisis will result in another sub-par year for the region in 2003.

## Introduction

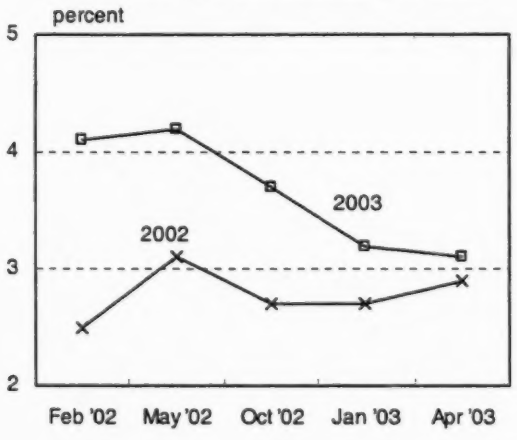
The outlook presented in this report is based on the latest forecasts from the International Monetary Fund (IMF), OECD, Export Development Corporation (EDC), Economist Intelligence Unit (EIU), Kiel Institute of World Economics (Kiel), Conference Board of Canada (CBoC), World Bank (WB), and Economy.com.

The report has a particular emphasis on regions that are of interest to Alberta exporters, and those that are facing special economic circumstances, such as recessions or structural reforms.

## World Economic Growth

Because of the global economic slowdown that started in the fourth quarter of 2002 and its effects on many large economies, most forecasters have become more bearish about the outlook for world growth. Since the middle of 2002, global growth forecasts for 2003 have been lowered by about one percent. Growth forecasts for the US, the euro region and Latin America in particular have seen significant downward revisions.

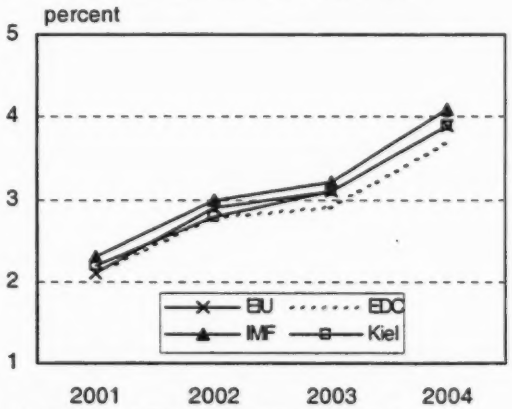
**Tracking the EIU's Forecasts for World GDP growth in 2002 and 2003**




In 2002, the world economy is estimated to have grown by between 2.8 and 3 percent, higher than the 2.2 percent registered in 2001, but low by historical standards. World growth was low primarily because of continued weakness in the euro region, Japan, and especially Latin America (steep recessions in Argentina and Venezuela). The rest of Asia and Eastern Europe registered strong growth. The North American region performed relatively well, with US growth rising to 2.4 percent, up from 0.3 percent in 2001, and Canada leading all G7 countries with growth of 3.4 percent.

The world economy bounced back more strongly than expected in the first nine months of 2002 because of strong consumer demand, especially in the US and Asia, and a modest improvement in world trade. However, consumer and business sentiments soured in the fourth quarter and remained weak in the first quarter of 2003, partly because of uncertainties related to the then up-coming war in Iraq and the continued stock market slump. At the same time, industrial production stagnated and labour markets weakened.

**World GDP Growth, 2001 - 2004**
**Estimates and Forecasts**




Note: World GDP growth rates are based on exchange rates at Purchasing Power Parity.

Recent indicators suggest that the euro region's economy likely shrunk in the first quarter and may, at best, remain flat in the second quarter. Economic growth in the US economy has also weakened in recent months and the risk of a double dip recession has increased. The OECD's Composite Leading Index for its member states, all major developed countries, has been weak since mid 2002 and falling in the first months of 2003.

World economic growth in 2003 is expected to be only marginally higher than in 2002, at 2.9 to 3.2 percent. Growth will be low in the first half of this year, but should improve in the second half. Although growth in household spending is expected to be less in 2003 than in 2002, inventory re-building and a small turn-around for investment spending should boost overall world GDP growth.

Growth in the NAFTA region is expected to be similar as in 2002, weakening slightly in the US and Canada, but strengthening in Mexico. The recovery in the euro region was short lived and a recession in the first half of 2003 cannot be ruled out - Germany's outlook is particularly poor. Japan is also on the brink of recession, but most other Asian economies will expand strongly. Latin American growth will remain low as a result of a deepening of the recession in Venezuela and low growth in Brazil. Fairly strong growth is forecast for the Middle East, Africa and Eastern Europe.

The fundamentals are in place for stronger growth after 2003, mainly because of monetary and fiscal stimulus, on-going structural reforms and robust improvements in productivity. Moreover, the capital overhang, which resulted in declining investment spending during the past two years, appears to have largely been worked off, thereby setting the stage for stronger investment growth in the years ahead. For 2004, world growth is forecast at 3.7 to 4.1 percent. Higher growth is forecast for all regions, especially for Latin and North America and for the European Union (EU).

None of the forecasts examined include the negative effects of the SARS outbreak on world economic growth. It is apparent that SARS is having an impact on economic growth in a number of Asian economies, most notably in Hong Kong, Taiwan and China. As a result, the outlook presented here for a number of Asian countries and for the region as a whole probably have some upward bias. The overall impact on world growth, however, will likely be small, as containment measures continue to strengthen.

Most of the forecasts were also made when a quick resolution of the war in Iraq was not yet in sight. As long as there is no further escalation of hostilities in the Middle East, the recent drop in crude oil prices and recovery in the stock market should hold up, which could have a small positive impact on economic growth in the remainder of 2003 and possibly also in 2004. Reconstruction spending could also provide a small boost to world growth.

The outlook for the global travel and tourism industry remains clouded. The war in Iraq, the risk of further terrorist attacks and more recently SARS (Severe Acute Respiratory Syndrome) have all taken their toll on this industry. The US and the Middle East (terrorism) and Asia (terrorism and SARS) continue to be the most at risk, although the winding up of the war bodes well.

Significant downside risks to these forecasts remain. These concerns include:

- Imbalances in the US, including the huge trade deficit and private sector debt, as well as the more recent large federal deficits.

- The recent run-up in the euro, which could hamper the euro region's economic recovery.
- Additional terrorist attacks on the US or other western or Asian economies, or an escalation of hostilities in the Middle East or on the Korean peninsula.
- Financial sector problems, a huge public debt and persistent deflation are hampering Japan's economic recovery.
- The recent slowing in the demand for IT equipment could cause economic growth to fall in major IT producers, many of which are located in Asia.
- Further economic crises in emerging countries, especially in Latin America.
- Additional fall-out effects from the sharp stock market declines, especially on Germany and Japan's banking and insurance industries.
- The possibility that Asia's SARS outbreak cannot be contained in a timely fashion: most at risk are China and Taiwan.
- Labour market rigidities, costly social programs and a weak banking industry will hamper Germany's economic recovery.

## World Trade

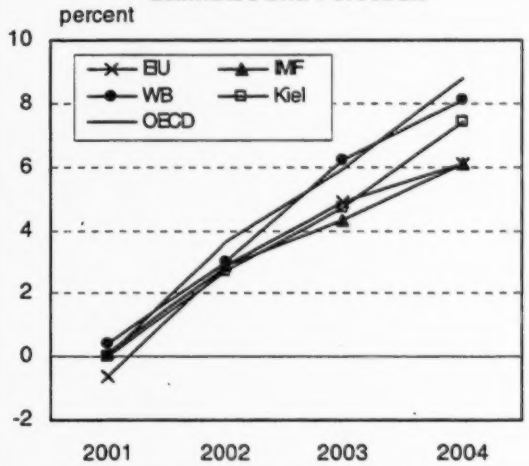
World trade volumes grew by between 2.9 and 3.6 percent in 2002. Asian exports expanded strongly, especially from Japan, South Korea, Hong Kong, China and India, as did exports from Eastern Europe. Exports declined in many developed economies, such as the US, Australia, the UK and Italy. Imports were up strongly in most Asia Pacific countries, including Australia and China, and in Eastern Europe, but fell in South America (especially in Brazil and Argentina), and in many Western European countries (especially in Germany and Sweden).

World trade is forecast to increase by between 4.3 and 6.2 percent in 2003, with most of the growth coming in the second half of this year. Import growth will remain strong in a number of Asian tigers, such as China, South Korea and India. Developed markets, such as Japan and the EU, will start to experience a recovery in imports flows. A recovery is also expected for US imports, although the recent decline in the US dollar could have some negative effects on these imports. After declining sharply in 2002, South American imports could see marginal growth in 2003.

Higher growth of around 6 to 8 percent is forecast for 2004. Asian import growth will remain robust, while improving domestic demand in Western Europe and North and South America will translate into higher import growth for these regions.

The outlook for short and medium term

**World Trade Growth, 2001 - 2004**
**Estimates and Forecasts**




trade growth has deteriorated since 9/11, and it is unlikely that the strong growth numbers of the nineties will be replicated over the next decade. The risk of doing business globally has increased, as has its cost, because of higher insurance and security costs and border delays.

## North America

The economies of North America were gaining strength in the first half of 2002. But, in recent months, the economic prospects for both Canada and the US have deteriorated somewhat, and there is growing evidence that growth slowed markedly at the end of 2002 and in early 2003. By the end of this year both countries should be back in full recovery mode, followed by strong growth in 2004.

### United States

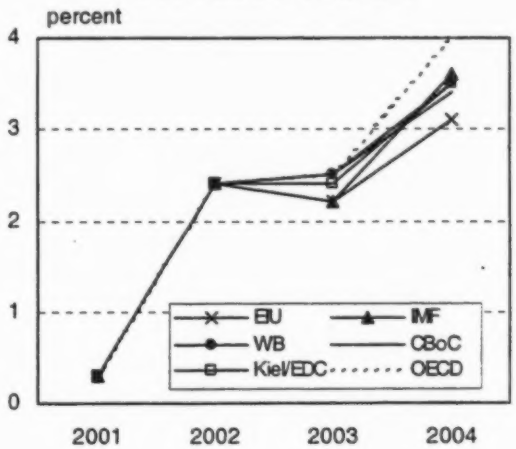
The United States' economy expanded strongly during the first three quarters of 2002, fueled by strong consumer and military spending. However, growth weakened in the fourth quarter of 2002 and the first quarter of 2003, as exports declined and growth in consumer spending moderated, partly because of continued weakness in labour markets.

Lackluster growth is also forecast for the second quarter of 2003, because of weak (although improving) consumer and business confidence, which could lead to low growth in consumer and investment spending. The US economy is expected to see much stronger growth towards the end of 2003 and in 2004, as consumer and investment spending improve.

The US economy will derive significant benefits from the effects of the lower oil prices, which resulted from the quick resolution of the war in Iraq, as well as from the reconstruction spending. However, the costs of occupation and peacekeeping and of reconstruction will put significant strains on the US budget. A detailed analysis by William Nordhaus put the costs of occupation and peacekeeping at between $75 and $500 billion over a ten-year period, while reconstruction could cost a further $25 to $100 billion. The bulk of these costs will likely be borne by the US government.

After expanding by 2.4 percent in 2002, because of relatively strong consumer spending and surging military spending, the US economy could expand by about 2.3 percent in 2003. Most of the growth in 2003 will come from military spending and inventory rebuilding. Net exports are expected to continue to fall, as import growth is forecast to exceed export growth, even with the lower US dollar. Growth in consumer spending will be much lower than in 2002, because of weaker spending on durables.

**U.S. GDP Growth, 2001 - 2004**
**Estimates and Forecasts**




The US economy will pick up steam in 2004, reaching between 3.1 and 4 percent growth as investment spending and exports recover, inventories are re-built and consumer spending strengthens.

**Alberta US Portland Office**:
"The Pacific Northwest continues to suffer from weakness in the transportation, high tech, and natural resource sectors. Large state budget deficits and subsequent cutbacks are providing a drag on already weak economies. The poor global economy has also caused difficulties for these export dependent states."

There are some risks to this forecast. The employment situation remains precarious: in mid April initial claims for unemployment insurance exceeded 400,000 for a ninth consecutive week. Further unemployment increases could pose a serious threat to consumer confidence and further weaken private spending. The possibility of another terrorist attack and imbalances in the economy, specifically the high current account deficit, growing levels of household and corporate debt and the return of federal deficits, are other causes for concern. Further corporate scandals could undermine already low levels of confidence in the US.

## Canada

Canada's economy outperformed all of its G7 partners in 2002, with GDP rising by 3.3 percent. Surprisingly, it was little affected by the US slowdown, partly because of inventory re-building and strong consumer spending – a result of higher wages and employment levels. However, the US slowdown started to impact economic growth, as export volumes dropped in the fourth quarter of 2002 and in the first quarter of this year. Consumer spending remained strong in the first quarter of 2003, as retail sales and housing starts rose sharply.

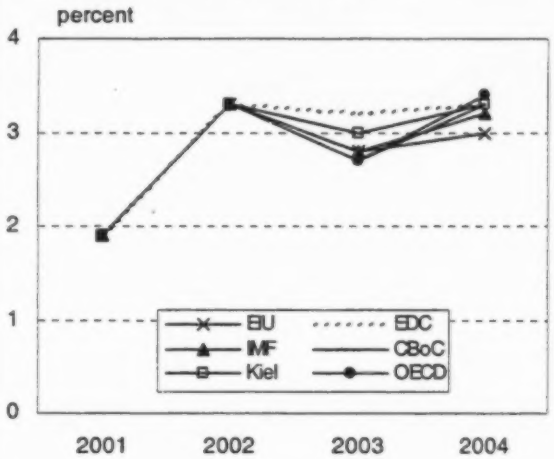
For the year 2003, slightly lower growth of 2.7 to 3.2 percent is forecast, as a result of a steep drop in net exports. The recent strength of the Canadian dollar combined with the weak US dollar will negatively impact Canadian exports, especially to the US, and boost import growth. Mad cow disease will seriously affect exports of agricultural products.

The recent federal budget will contribute an estimated ½ percent to GDP growth, and will lead to strong advances in government spending, especially public investment spending. Recent employment gains and the budget should have a positive impact on consumer spending.

After declining in 2002, business investment has started to improve in 2003. Although 2002's stellar growth in residential construction will not be replicated in 2003, this sector will continue to make a positive contribution to overall GDP growth.

GDP is expected to grow by 3 to 3.4 percent in 2004, as exports increase sharply and domestic demand strengthens, as a result of stronger growth in business investment and consumer spending. Residential construction is forecast to decline, as recent activity levels will prove to be unsustainable.

**Canada's GDP Growth, 2001 - 2004**
**Estimates and Forecasts**



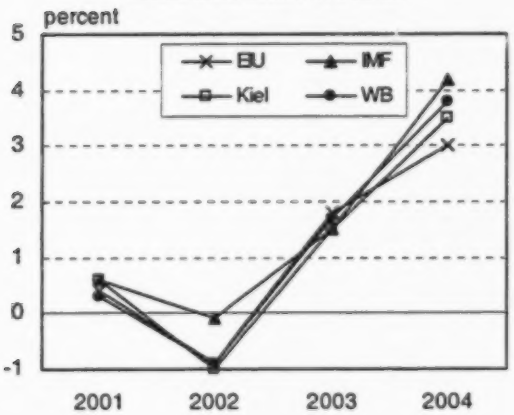

A recent study by CBoC estimated the effects of SARS on the Toronto and Canadian economies. The major impacts are on Canada's tourism and travel industry and on Toronto's retail sector. Overall, Canadian GDP could be lowered by as much as $1.5 billion, which equates to be about 0.15 percent of GDP. Two-third of the economic impacts will be concentrated in the city of Toronto, and its GDP growth could fall by ½ percent as a result of SARS. Nation-

wide the travel and tourism industry could lose just over $1 billion in revenues.

## Latin America

In 2002, the Latin American region was in the second year of the region's worst recession in twenty years. Last year, economic output fell mainly because of the crises in Argentina and Venezuela, but also because of the US slowdown, and lower consumer and business confidence. Many of the region's currencies declined in 2002, resulting in high inflation rates and rising interest rates. By the end of the year, GDP growth turned positive, driven by strong exports.

**Latin America's GDP Growth**
**2001 - 2004**
**Estimates and Forecasts**




Argentina's output declined by more than ten percent in 2002. Venezuela entered a deep recession because of political unrest and a large reduction in oil output, that could reduce its economic output by one quarter by the time it's expected to be over. Argentina's crisis also had spill-over effects on Uruguay and Paraguay, and to a lesser degree also Brazil. Strong underlying fundamentals caused Mexico to emerge from its 2001 recession, which was caused by weak US demand. In Brazil, economic growth strengthened gradually throughout the year because of a recovery in industrial output.

Latin America's economic growth will remain low in 2003, mainly because of the crisis in Venezuela and weak consumer demand, with growth rates forecast at 1.5 to 1.8 percent. Higher growth of between 3 and 4 percent is forecast for 2004 as capital investment and consumer spending recover.

### Mexico

Mexico's economy expanded by a mere 0.9 percent in 2002, because of weak export growth and a decline in investment. In addition, growth in consumer demand was lower than in the previous year.

Mexico's manufacturing output in the maquiladora region plunged in 2001 and 2002, because of the downturn in the US manufacturing industry combined with higher wages and NAFTA regulatory changes. In late 2001, NAFTA cancelled duty-free status for maquiladora inputs originating outside of North America.

**Alberta Mexico Office**:
"Mexico has strong fundamentals - decreasing inflation, low country risk spreads, sustainable external deficit, low fiscal deficit, and almost US$ 50 billion in international reserves. As well, the government will keep spending under control, even if budget cuts are needed."

For 2003, stronger export led growth of 2.3 to 3.2 percent is forecast. Net exports grew for an eighth consecutive month in March (on a year-over-year basis) as exports recover because of higher US imports. Investment is expected to rebound because of increased foreign investor confidence due to Mexico's sound government policy. Recent interest rate hikes,

caused by an acceleration in inflation, and tight fiscal policies, could lead to a weakening of consumer demand.

In 2004, the economy should achieve a higher growth rate of between 3.1 and 4.5 percent growth, led by stronger growth in consumer spending and business investment, and renewed strength in exports.

## Brazil

The Brazilian economy advanced by only 1.5 percent in 2002, because of a sharp decline in domestic demand. Consumer spending and capital investment fell, while inventory draw-downs also made a negative contribution to GDP. However, lower domestic demand was more than offset by a strong rise in net exports – exports grew strongly and imports fell sharply.

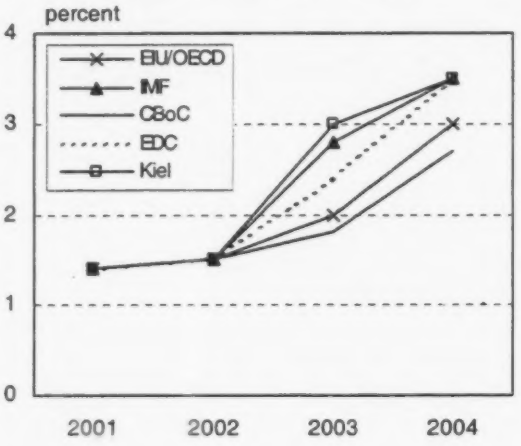
Brazil still faces some risks. First and foremost is the large current account deficit, which makes the country highly dependent on foreign capital flows, and therefore sensitive to speculation among foreign investors. Although financial contagion has largely been contained, there is the looming risk of additional spillover effects from Argentina, Brazil's second largest export market.

Investor reaction to the recent election of President da Silva has so far been generally positive, with a steady drop in the country risk premium. The new government is committed to reducing the public debt: it is targeting a substantial fiscal surplus this year, and is planning for a budget surplus of 4¼ percent for 2004 to 2006. Recent inflationary pressures have been answered with significant interest rate hikes.

Only a slight improvement in economic growth is forecast for 2003, ranging from 1.8 percent to 3 percent, as a result of weak growth in consumer demand and industrial production caused by high interest. Net exports will continue to jump, and investment levels should re-bound.

Growth should accelerate to between 2.7 and 3.5 percent in 2004 as the world economy continues to improve, interest rates fall and investment spending strengthens further.

**Brazil's GDP Growth, 2001 - 2004**
**Estimates and Forecasts**




## Argentina

Argentina has been in a recession since 1999. Real output dropped by about 11 percent in 2002, because of very steep declines in consumer and business spending. However, Argentina may have emerged from its recession in the second half of 2002, because of strong export led growth in industrial output. By the end of the year, domestic demand also started to improve.

The floating of the peso in early 2002 led to a sharp depreciation in the Argentina currency, which caused a tripling in the trade balance. It, however, also caused real wages and government spending to decline.

The outlook for the Argentine economy is probably the most clouded of the outlooks examined in this report. Considerable uncertainty remains about the government's willingness to undertake the necessary structural reforms, especially in light of public unrest. A long term IMF program to improve the country's credit worthiness and fiscal performance will be a tough sell to a government under pressure to relieve its people's economic hardships.

As a result, economic growth will likely remain lackluster over the short term and inflation is expected to persist. For 2003, forecasts range from a further contraction up to growth of 4.4 percent, depending on whether domestic demand recovers. For 2004, 4 to 5 percent growth is expected, on the back of strong growth in domestic demand.

## European Union

Economic growth in the European Union slowed to about one percent in 2002, and may have actually declined in the first quarter of 2003. Geo-political uncertainty and high oil prices resulted in low consumer and business confidence that translated into very weak domestic demand. Unemployment has been on the rise in most countries and capital investment is declining.

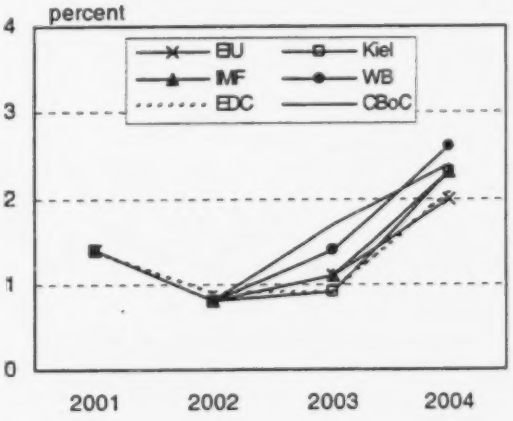
Germany, France and Italy narrowly avoided another recession, but a number of the region's smaller economies, such as Portugal and the Netherlands, may have slipped into recession by year-end. Most EU countries had lower growth than in 2001, an already dismal year.

Euroframe's leading growth indicator for the euro region suggests that GDP likely fell in the first quarter of 2003 and will remain flat in the second. Weaker business and consumer confidence in the euro region (domestic market) and in the US (export market), explain the recent deterioration.

For 2003, most forecasters surveyed are expecting lackluster growth of about 1 to 1½ percent for the EU economy. Domestic demand growth could be higher than in 2002, partly because of recent interest rate drops, but net exports are likely to fall, partly because of the strong euro. A return to normal growth rates is not expected until the third or fourth quarter, when global economic growth is expected to strengthen.

Economic growth in 2004 is forecast to be nearly double that of 2003, at between 2 and 2.7 percent, close to its long term potential. Consumer spending, and especially investment and exports should strengthen.

**Euro Zone's GDP Growth**
**2001 - 2004**
**Estimates and Forecasts**




Risks to the outlook for the EU include:

- Further appreciation of the euro could hamper the EU's recovery, as it would likely result in lower exports.
- Lack of progress towards structural labour reforms, especially in Germany, to improve the region's competitiveness.

## United Kingdom

The UK's economy was again better insulated against the global slowdown than its EU partners. The economy expanded by 1.8 percent in 2002, as a result of strong domestic demand. Consumer and defense spending in particular remained strong. However, exports and capital investment declined, and the manufacturing sector's recession deepened.

As net exports declined, GDP growth weakened slightly in the fourth quarter of 2002, and slowed sharply in the first quarter of 2003. The manufacturing industry expanded in the first quarter, and has recently improved its productivity performance. However, business and consumer confidence fell sharply in the first months of 2003. With the tensions easing in Iraq economic prospects will improve in the second half of 2003.

Growth in 2003 will likely come in closer to the lower end of the range of forecasts examined in this report (1.7 to 2.3 percent). The April consensus forecast for 2003, as reported by the UK Treasury department, came in at 1.9 percent, almost one percent lower than the consensus forecast of 2.8 percent back in June 2002. Growth again will be centered around the consumer and the public sector (strong growth in health and military spending).

A turn-around for exports and investment, combined with inventory re-building, could result in higher growth of 2 to 2.6 percent in 2004.

## Germany

Germany emerged from its 2001 recession in the first part of 2002 with fairly strong export led growth. However, growth weakened as the year progressed, and turned negative in the last quarter of 2002. It remained negative in the first quarter of 2003 as a result of a decline in net exports. Domestic demand declined for a second consecutive year in 2002, as capital investment continued to fall and consumer spending followed suit. Overall, the German economy expanded by 0.2 percent in 2002.

The German employment situation remains dismal, with the unemployment rate already exceeding 11 percent, up from less than ten percent at the start of 2002.

Falling domestic demand has also led to lower inflation rates, and Germany may be poised to enter a deflationary period. Consumer demand could be stimulated if interest rates were low enough. However, these rates are not set in Germany but rather by the European Central Bank, and are too high for Germany's consumers and corporate sector. Moreover, fiscal policy has become restrictive, as Germany's government deficit has exceeded the EU prescribed limits. As a result, business and consumer confidence have fallen sharply in recent months. The war in Iraq and high oil prices have also taken their toll on confidence levels.

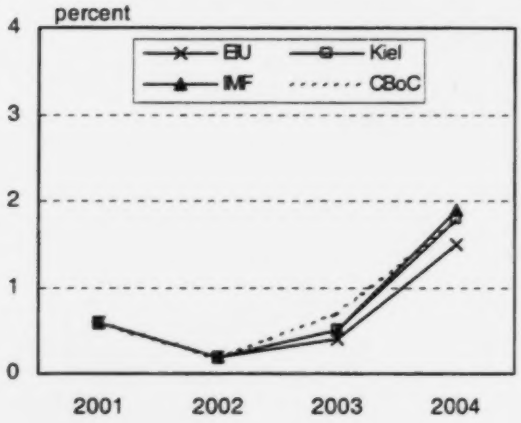
The outlook for Germany remains bleak: in 2003, GDP is forecast to increase by 0.3 to 0.7 percent. Growth will be partly export led, as consumer spending and investment is forecast to decline again. However, the recent appreciation of the euro could cause export growth to be lower than in 2002.

The turnaround factor for 2003 could be inventory levels, which, after their sharp decline in 2001 and the first part of 2002, are expected to be built back up, thereby providing a boost to economic growth.

Once the world economy recovers, so will German business and consumer confidence. Higher growth of 1.5 to 1.9

percent is therefore forecast for 2004, as domestic demand, especially investment and private consumption, recovers. The foreign sector is not expected to make a strong positive contribution to the German economy in 2004, as import growth could exceed export growth.

**Germany's GDP Growth**
**2001 - 2004**
**Estimates and Forecasts**




**Alberta Germany Office**:
"In stark contrast to Canadian banks, German banking reports this year have been compared to those of Japanese banks. Last year two major banks declared bankruptcy, and another three are on the brink. Germany's banks cut 35,000 jobs in 2002. The banking industry started too late with restructuring and has been severely challenged by the global downturn and the pressure to cut costs."

Chancellor Schroeder recently introduced "Agenda 2010", a package of reforms designed to reduce rigidities in Germany's labour market and in its social welfare system. Proposed changes include:

- Reducing unemployment support levels,
- Making it easier for firms to hire additional temporary staff,
- Loosening of firing-protection rules,
- Reducing the high costs of public healthcare by increasing the role of private healthcare.

Although these changes, once implemented, will have a positive impact on employment and economic growth, further structural reforms will still be necessary.

## France

In 2002, France's economy expanded by 1.2 percent, as a result of solid growth in consumer and government spending and exports. Although the rate of GDP growth declined steadily throughout the year, France's performance by year-end was much better than Germany's and was largely driven by consumer spending. As in many other economies, inventory draw-downs again lowered overall GDP growth.

For 2003, similar growth of between 1 and 1.7 percent is forecast. First quarter GDP results will probably show modest growth. Investment could decline again in 2003, consumer and government spending growth will be lower than in 2002, but inventories should make a positive contribution to GDP. Growth in consumer spending will be low, because of low consumer confidence and rising unemployment. Business confidence has also been falling again in recent months. However, the federal government has little room to stimulate the economy, as its budget deficit has also exceeded the EU limits.

Higher growth of 2.2 to 2.6 percent is expected in 2004. A stronger global economy will lead to much higher export growth, while investment is also expected to make a positive contribution to GDP growth, as will inventory rebuilding. Growth in private and government consumption is expected to remain weak.

## Eastern Europe

Economic growth remained high in the Eastern European region at about 4 percent because of strong domestic demand arising from income gains and falling interest rates. The slowdown in Western European markets impacted the region's exports much less than expected.

The two sub-regions, the Commonwealth of Independent States (CIS) and east-central Europe, registered positive growth in 2002. Growth was particularly strong in the CIS (former Soviet Union), especially in Azerbaijan, Kazakhstan, Turkmenistan and the Baltic states (Estonia, Lithuania and Latvia). The strength of the Russian economy continued to drive growth in a number of CIS members. The CIS economy grew by about 4½ percent in 2002, and Russia by 4.3 percent, because of very strong consumer spending. High prices and increased volumes caused energy exports to jump.

East-central Europe's economy expanded by just over 2½ percent, mainly because of lack-luster growth of 1.3 percent in Poland caused by a sharp decline in capital investment. Growth in the Czech Republic decelerated to two percent, also because of weak investment. The Balkans, and especially Albania, Bulgaria and Romania, expanded strongly in 2002 as a result of strong exports and investment.

Turkey's economy pulled out of its steep 2001 recession, registering strong growth of more than 7 percent. However, almost all of this growth was the result of inventory building; investment and net exports declined and consumer spending remained weak.

The outlook for Eastern Europe remains positive and will again be fueled by domestic demand resulting from income gains and falling interest rates. All countries are forecast to see their economies expand in both 2003 and 2004. Growth in the two sub-regions is expected to converge, as the recovery in Western Europe will boost exports from east-central Europe, while growth in the CIS region could be marginally lower than in 2002 because of lower (but still strong) growth in consumer spending in Russia. Forecasts for the region as a whole are for growth of about 4 percent in both 2003 and 2004.

The CIS region could see growth of just over 4 percent in both 2003 and 2004. The region's economic prospects depend on the outlook for Russia, which accounts for two-thirds of the CIS economy and is a major export market for the other states. Trade within the region will continue to rise, especially in 2003, as Russia's crude oil export revenues and domestic spending remain strong. Other oil-exporting countries, such as Kazakhstan and Azerbaijan will stay on a rapid growth path.

An investment led recovery in Poland and higher growth in the Czech Republic (resulting from robust exports) will contribute to the improved outlook for east-central Europe; GDP could expand by nearly 4 percent in 2003 and slightly more in 2004. Growth in Hungary and the Balkans should remain vibrant and will largely be investment led.

Turkey is expected to see lower (investment led) growth in 2003, mainly as a result of the war in Iraq and ensuing regional instability. Higher growth of about 4 percent can be expected for 2004 driven by export and investment growth.

Long-term growth prospects are good for east-central Europe, because of recent structural reform, large inflows of foreign direct investment (FDI) and productivity gains. Accession to the EU will likely

occur on May 1, 2004 for eight middle European and Baltic states, which should also boost these countries' prospects.

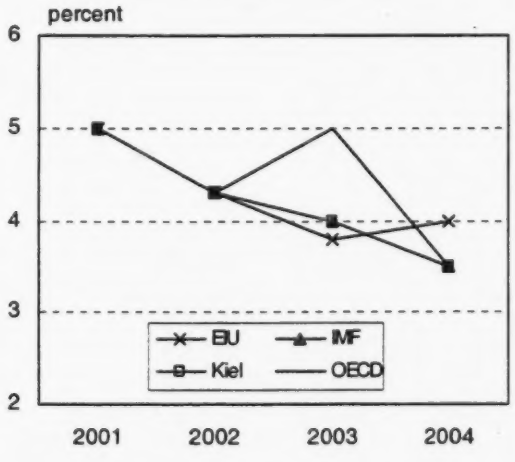
For the CIS, the long-term economic outlook is somewhat less clear: structural reforms are progressing at a slower pace and more diversification away from energy is needed. In Russia, the low investment rate, lack of FDI and rather modest productivity growth are particularly worrisome.

### Russia

Russia's GDP increased by 4.3 percent in 2002, as a result of very strong growth in private consumption and high oil prices. Robust domestic demand also caused a surge in imports, which led to another large decline in net exports. The trade balance, however, remains in a large surplus position because of strong oil prices.

The 2003 outlook is for economic growth to moderate to 3.8 to 4 percent, as consumer spending growth moderates to just over 5 percent, oil prices remain high and net exports continue to drop. The recent appreciation of the ruble is a concern for exporters.

**Russia's GDP Growth, 2001 - 2004**
**Estimates and Forecasts**




For 2004, most forecasters call for growth of 3.5 to 4 percent. Consumer demand will remain strong although probably weaker than in 2003, capital investment could improve, but oil prices will likely decline.

With most new investment going into the energy sector Russia has a growing dependency on oil and gas that could hamper its long-term economic prospects. The manufacturing sector is in decline as a result of disinvestments and aging of the capital stock, and foreign investors are put off by the many structural flaws in the Russian economy. The Deutsche Bank in a recent analysis of the long-term growth potential of the Russian economy came up with a long term GDP growth rate of between two and three percent, partly because of its low investment to GDP ratio and the poor quality of its economic institutions.

## Asia Pacific

In 2002, the Asia Pacific region, which includes such diverse economies as Japan, China, India, the ASEAN (Association of South-East Asian Nations) and Australia, saw higher growth than in the previous year. The entire region expanded by at least 2.5 percent (estimates vary depending on what economies and how the economies were combined). Growth was again held back by Japan's weak economy - Asia Pacific excluding Japan grew by more than 5 percent.

The region's improved performance was the result of a strong turnaround for exports and higher growth in domestic demand. The region's increasing dependence on intra-regional trade, especially to and from China, has insulated it somewhat from the global slowdown. Intra-regional trade in IT equipment was very strong in 2002. Moreover, exports to the US and other

developed nations strengthened. Personal consumption was booming (except in Japan), because of rising incomes and the increased use of credit. By the end of 2002, however, consumer confidence slipped, as a result of global and local uncertainties, and remained weak in the first quarter of 2003.

Growth by major country/trading bloc in 2002 was as follows:

- The ASEAN-4 (Indonesia, Malaysia, Philippines and Thailand) grew by just over 4 percent. GDP growth ranged from about 3½ percent in Indonesia to 5 percent in Thailand. Consumer spending was strong in all four countries, while exports recovered in all countries except Indonesia.
- The NIC (newly industrialized countries) region of Hong Kong, South Korea, Taiwan and Singapore, expanded by 4½ percent. The economies of Hong Kong and Singapore expanded by about 2 percent, Taiwan by 3½ percent, and South Korea by 6.3 percent. Exports rose strongly in all four countries, but domestic demand was very weak except in South Korea.
- China's economy continues to fire on all cylinders, expanding by 8 percent.
- Japan emerged from its recession, with an export led 0.6 percent GDP increase.
- India grew strongly by between 4½ and 5 percent, as weak growth in consumer spending was more than offset by a greater than 10 percent jump in exports.
- Australia's economy was fueled by very strong domestic demand, with GDP increasing by 3.8 percent.

The outlook for the Asia Pacific region is largely positive, but fraught with uncertainty. First quarter results were strong for China and Thailand, but point to weaker growth in South Korea and Singapore and possibly negative growth in Japan.

The second quarter will be very weak for Asia because of SARS, which is affecting business and consumer confidence in the entire region. It is not only impacting economic growth in Hong Kong, China, Taiwan and Singapore, but also on other countries, such as Japan, that have strong trade links with the SARS countries. GDP could decline in Hong Kong, Taiwan and China in the second quarter. As long as disease is brought under control, the Asian economy should be back on track in the second half of 2003.

The current forecasts of just over 2½ percent GDP growth for the Asia Pacific region (5 to 6 percent without Japan) in 2003, is probably optimistic, as they were prepared without the economic costs of SARS. Estimates of the SARS impacts on Asian GDP range from the EIU's 0.1 to 0.2 percent decline for emerging Asia to economy.com's 0.6 percent downward revision for all of Asia.

In 2003, economic output for the region will be constrained by lower growth in exports and consumer spending. Higher growth of more than 3 percent is forecast for 2004, as a result of much stronger domestic demand, with improvements in consumer spending and investment.

## ASEAN-4

The ASEAN-4 will see slightly lower growth of just under 4 percent in 2003, returning to near normal levels of 4.3 to 4.4 percent in 2004. The region's tourism industry will be under pressure again, this time from the recent terrorist attack in Bali and bomb attacks in Mindanao. SARS will have an impact on tourism from China and other Asian countries.

For 2003, Indonesia will be the worst performer with less than 3.5 percent growth, followed by the Philippines at 4 percent and Malaysia and Thailand at 4.5

to 5 percent. Consumer spending growth will moderate, especially in Indonesia, while investment strengthens and exports continue to expand.

In 2004, all countries, with the exception of Malaysia, are forecast to expand by 4 to 4½ percent. Higher growth of 5.1 to 5.8 percent is expected in Malaysia. The improved global situation will benefit the region's export performance.

### Newly Industrialized Countries

The NIC region is forecast to expand by approximately 4 to 4½ percent in 2003, and by 4½ to 5 percent in 2004. This recovery will be mostly export driven.

### South Korea

South Korea was one of Asia's stellar performers in 2002. GDP grew by 6.3 percent, because of very strong domestic demand, especially consumer demand, and a 15 percent increase in export volumes (exports of information technology rose 20 percent). Productivity in the manufacturing sector improved by more than 10 percent.

Consumer and business demand are weakening sharply as a result of the North Korean crisis, rising consumer debt, SARS and low confidence levels. Investment, especially by foreign sources, will likely decline. Growth in consumer spending (and also in imports) will be much lower in 2003. Exports however, which account for more than 50 percent of the economy, remain very strong, partly because of a rebound for semi-conductors. As a result, total GDP is forecast to expand by 4 to 5 percent in 2003.

Export growth will remain robust in 2004, although lower than in 2003, because of the appreciation of the won. Domestic demand, especially capital spending, is forecast to rebound. This should cause GDP growth to rise to at least 5 percent in 2004. Recent economic restructuring will continue to pay dividends for the Korean economy over the long run.

**Alberta Korea Office:**
"President Elect Roh is a conservative, and wants to see a vibrant South Korean economy. He may place emphasis on restructuring the Chaebols, which will allow the small and medium enterprises to flourish. This should have a positive impact on the economy."

### Hong Kong

Hong Kong's economy grew by 2.3 percent in 2002, as a result of slumping domestic demand (both consumer spending and investment declined) caused by deflation (falling property prices) and high unemployment. Exports increased strongly, especially to China and the rest of Asia. Most of Hong Kong's economic expansion took place in the second half of 2002.

Although a number of forecasters, such as the IMF, are still forecasting growth of 2 to 3 percent for this year, this will likely prove to be too optimistic a forecast because of the impact of SARS. In a recent revision, the EIU lowered 2003 growth from 2.5 to 0.3 percent, solely as a result of the effects the disease is having on Hong Kong's economy. Even so, this forecast is based on a quick containment of the disease. In particular, SARS is affecting tourism, retail and restaurants.

Higher growth of close to 4 percent is forecast for 2004. Exports, especially to China, are expected to strengthen and a turn-around is forecast for domestic demand, for capital spending in particular.

The gradual integration of Hong Kong into China, however, is also having

negative implications for Hong Kong on property values, employment and wage levels. Prices and wages in Hong Kong and the province of Guangdong are slowly converging.

Another concern for Hong Kong is declining government revenues caused by the bursting of the property bubble and the relocation of businesses to mainland China. If fiscal deficits continue, this could eventually introduce macroeconomic instability. Fighting the budget deficits has become the government's top priority.

**Alberta Hong Kong Office:**
"New opportunities arise from a more transparent and predictable China, especially after its accession into the World Trade Organization. Hong Kong's integration with the Pearl River Delta economies will provide a new avenue for growth."

## Taiwan

In 2002, Taiwan's GDP increased by 3.5 percent, because of strong exports and production of electronics and information technology equipment. Hong Kong, transit point for trade with China, replaced the US to become Taiwan's top export market. Domestic demand remained weak, which was also reflected in mild downwar pressures on consumer prices.

The impacts of SARS on Taiwan's economy have become significant, and the World Health Organization recently issued a travel advisory for Taiwan. Therefore, current forecasts of GDP growth of 3 to 3.7 percent for 2003 are probably too high. Consumer demand and tourism in particular will be weaker than anticipated, although exports should remain strong.

Even higher growth in exports, especially to China, should contribute to a GDP expansion of 3.7 to 5 percent in 2004. Consumer spending and investment should also be robust in 2004.

**Alberta Taiwan Office:**
"Taiwan's IT companies have a more optimistic outlook than last year. Output of the IT industry is expected to grow to $54 billion in 2003, an increase of 8.8 percent over the previous year."

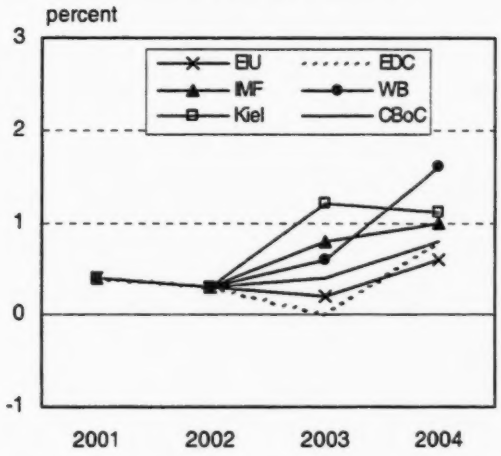
## Japan

Japan's economy started 2002 on a strong footing with an export led expansion through the first three quarters. However, fourth quarter results pointed to another slowdown, causing GDP to advance by a mere 0.3 percent for all of 2002. Private consumption grew more slowly than in the previous year and investment declined again. Deflation and a weak banking sector remain the nation's major problems. Japan is also very concerned about the geopolitical developments on the Korean peninsula.

First quarter production estimates suggest that Japan may be falling back into a manufacturing recession, as a result of an export slowdown. This weakness will likely continue in the second quarter because of anemic growth in the US and the euro zone, and the undermining effects of SARS on intra-regional trade.

Forecasts for 2003 range from 0 to 1.2 percent growth. Although exports will likely make a positive contribution to GDP, consumer spending will see little or no growth and investment is expected to decline. Consumer demand is held back by low confidence levels, increasing unemployment, persistent deflationary pressures and declining real disposable incomes. Social security reforms will further reduce disposable income.

**Japan's GDP Growth, 2001 - 2004**
**Estimates and Forecasts**




The recovery will be in full swing in 2004, and will be based on higher exports and inventory restocking. GDP growth of 0.6 to 1.6 percent is forecast on the basis of a stronger world economy, which would translate into rising exports. Growth in domestic demand is expected to again be sub-par, and investment levels could continue to fall.

Japan's economy will remain sluggish in the medium term, as domestic demand remains weak. Deflation will likely persist for at least a number of years - a burden for a country with non-performing loan problems and a huge government debt.

**Alberta Japan Office:**
"The impact of Japanese companies shifting their production bases overseas to places such as China has been large. According to a Ministry of Economy, Trade and Industry study, the share of overseas production by Japanese manufacturers out of their total production has more than doubled to 14.3 percent over the last ten years."

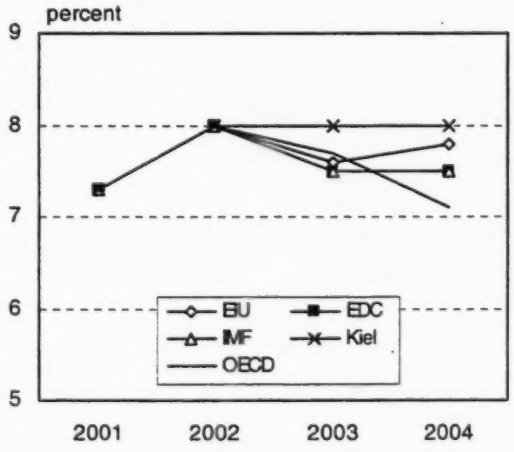
Although the government has made progress towards restructuring the banking sector, the structural problems in the non-financial sectors, such as retail trade, construction and distribution remain. To increase efficiency, the ability of unprofitable companies to remain in business needs to be dealt with. This would however add to the country's deflationary and unemployment woes.

## China

China's economy was little affected by the global slowdown. The Chinese economy expanded by 8 percent in 2002, again led by robust growth in investment and exports, while growth in private and public consumption also strengthened. Industrial output increased sharply, as did FDI, partly as a result of China's entry into the World Trade Organization (WTO).

Similar GDP growth of 6.8 to 8 percent is forecast for 2002. The economy surged by nearly 10 percent in the first quarter, but the effects of SARS on the economy are being felt in the second quarter through lower tourism revenues and low growth in consumer spending and domestic trade.

**China's GDP Growth, 2001 - 2004**
**Estimates and Forecasts**




As long as the disease can be contained quickly overall growth will not suffer too much and likely come in at close to 7 percent. The impacts of SARS on the Chinese economy will not be as severe

as in Hong Kong or Taiwan, because China's two main economic drivers, investment and exports, are largely unaffected. Although growth in consumer spending will be lower than in recent years, this will be offset by strong growth in exports and investment.

The economy will expand at a slightly higher rate of between 7.5 and 8 percent in 2004. Growth in consumer demand will be much stronger than in2002, while investment and exports will continue to expand at a robust pace.

Consumer spending will play an ever increasing role in China as it continues on its path to becoming a market based economy. Consumer credit has been rising sharply and accounted for 8 percent of GDP in 2002. 2003 will likely be the sixth consecutive year in which real wage gains have been in excess of 10 percent. Chinese consumers are spending more than ever on tourism and consumer durables such as housing and cars (China is Volkswagen's number two market after Germany).

Two major concerns for the Chinese economy include the ever widening income gap between urban and rural workers, and the country's increasing public debt to GDP ratio.

**Alberta China Office:**
"China is placing great importance on its entry into the WTO, as well as its hosting of the Olympics in 2008 and Expo in 2010."

### Australia

Australia's economy performed better than that of other large developed economies, growing by 3.8 percent in 2002, solely as a result of very strong domestic demand. Private and government consumption increased by just over 4 percent, while capital investment jumped 14 percent. Net exports tumbled, as export volumes declined marginally while strong domestic demand pushed import volumes up sharply.

The economy may have slowed in recent months, as April was the third consecutive month of employment losses. Moreover, SARS could affect trade and tourism with Asia in the months ahead. In 2003, GDP growth is expected to drop to 3 to 3.2 percent, because of lower growth in domestic demand, especially in consumer spending and investment, and lower agricultural production because of the recent drought. Net exports could decline again, although exports should rebound.

For 2004, slightly higher growth of 3.4 to 3.8 percent is forecast. Domestic demand is expected to remain strong and the global recovery should provide a major boost to exports.

## Middle East

Economic growth in 2002 in the Middle East, including North Africa, slowed to less than 3 percent. Causes include declines in crude oil production, regional instability, continued weakness in EU export markets and in tourism revenues and recessions in Kuwait, Iraq and Israel. Strong crude oil prices provided the major boost to the region's economy, but volumes were down because of OPEC quota cutbacks and declining output in Iraq.

The top performers in this region in 2002 were Turkey (rebound after previous year's steep recession), Iran (higher oil production) and Qatar (liquefied natural gas exports). Besides recessions in Kuwait and Iraq (lower oil production), and in Israel (bursting of IT bubble and regional security concerns), economic growth was very low in Saudi Arabia (lower oil production) and Lebanon (weak domestic demand).

In 2003, higher oil production and strong oil prices may more than offset weakness in global export and tourism markets, and economic woes caused by regional instability. Most forecasters expect economic growth to be at least one percent higher than in 2002, with the largest improvement forecast for the oil exporters. Major downside risks: if the US and UK are incapable of stabilizing Iraq or if Israeli – Palestinian violence and unrest increase.

The top performers in 2003 are expected to be Qatar (liquefied natural gas and oil exports), Algeria (higher oil production), and Iran (higher oil production and strong domestic demand) and Sudan (oil exports). Iraq's output will likely continue to shrink, and Israel will register minimal growth because of weak US growth and the impact of increased violence on tourism. Countries with strong economic ties with Iraq (Syria, Lebanon and Jordan), oil importers (Israel), and countries dependent on tourism (Egypt and Jordan) are not expected to perform well in 2003. Overall, North African countries are expected to outperform Middle Eastern ones.

Still higher growth of 4 to 5 percent is forecast for the region for 2004, mostly because of strong rebound in Iraq's economic activity. The resurgence will be broad-based, and will be strongest for non-oil producing countries.

In 2004, the top performers are expected to be Iraq (oil production and reconstruction), Iran (strong domestic demand), Sudan (oil investment), Tunisia (tourism and agriculture) and Qatar (oil and gas output).

## Africa

In Sub-Saharan Africa, 2002 GDP growth was about 2½ to 3½ percent, but per capita GDP growth remained anemic at about 1 percent. Poor weather conditions in eastern and southern Africa, political problems in Nigeria and Zimbabwe, weak global demand and the HIV/AIDS pandemic contributed to the low growth. Tourism revenues were also lower than expected.

The strongest growth was recorded by Angola, Uganda, Tanzania and Ghana. Civil unrest and political instability caused Zimbabwe's GDP to decline sharply again. GDP of the region's two economic powerhouses, Nigeria and South Africa, grew by less than 1 percent and by 3 percent, respectively. Domestic demand was strong in Nigeria, but political unrest and OPEC production cuts caused a decline in exports. South Africa's domestic demand, especially investment, was also strong, but exports declined because of the global manufacturing slump.

Slightly higher growth of 3 to 4 percent is forecast for 2003, as commodity prices remain strong and as long as weather conditions improve to boost agricultural output. Most agencies expect an expansion of at least 4 percent in 2004, as domestic demand and export volumes (especially to Europe) strengthen. Recent advances in structural reforms and market liberalization should improve the region's export competitiveness.

African countries that are forecast to do well in the short term include Chad, Madagascar, Congo, Tanzania, Uganda, Kenya and Cameroon. Most of the region's oil producers, such as Angola and Equatorial Guinea, are also expected to see strong growth, as oil production and investment continues to increase.

For Nigeria, higher growth of at least 3 percent is forecast for this year, mostly as a result of strong domestic demand. Although political unrest was affecting oil production in the first part of 2003, output

is expected to rebound strongly during the remainder of the year, partly because of higher OPEC quotas. Growth is expected to accelerate further in 2004, as offshore oil production continues to expand and investment in the natural gas sector rises.

South Africa's economy is forecast to expand by about 3 percent this year and by 3 to 3.5 percent in 2004. Investment is expected to grow strongly in both years, while exports will improve gradually.

A long-term concern for the region is the HIV/AIDS epidemic. The World Bank estimates that one out of every three adults in Botswana is infected, and at least one out of every four in Swaziland, Zimbabwe and Lesotho. Other regional concerns identified by the World Bank include low levels of foreign aid and investment, civil wars and low commodity prices.

# Appendix

## Economic Growth Forecasts by Agency, Region and Country (Gross Domestic Product Growth Rates in Percent)

| | 2001 Actual | 2002 Actual | 2003 Range | 2003 Median | 2004 Range | 2004 Median |
|---|---|---|---|---|---|---|
| **World** (at Purchasing Power Parity) | 2.1 – 2.3 | 2.8 – 3.0 | 2.9 – 3.2 | 3.1 | 3.7 – 4.1 | 3.9 |
| **World** (at Market Exchange Rates) | 1.1 – 1.3 | 1.5 – 1.9 | 1.9 – 2.3 | 2.1 | 2.8 – 3.2 | 3.0 |
| **World Trade Volumes** | -0.6 – 0.4 | 2.9 – 3.6 | 4.3 – 6.2 | 5.2 | 6.1 – 8.8 | 7.4 |
| **North America** (US, Canada & Mexico) | 0.3 | 2.4 | 2.3 – 2.7 | 2.4 | 3.4 – 3.6 | 3.6 |
| **United States** | 0.3 | 2.4 | 2.2 – 2.5 | 2.3 | 3.1 – 4.0 | 3.5 |
| **Canada** | 1.9 | 3.3 | 2.7 – 3.2 | 2.8 | 3.0 – 3.4 | 3.2 |
| **Latin America** (incl. Mexico) | 0.3 – 0.6 | -0.1 – -1 | 1.5 –1.8 | 1.6 | 3.0 – 4.2 | 3.6 |
| * Growth rates depend on whether countries were combined at PPP or at market exchange rates | | | | | | |
| **Mexico** | -0.3 | 0.9 | 2.3 – 3.2 | 2.5 | 3.1 – 4.5 | 3.9 |
| **Brazil** | 1.4 | 1.5 | 1.8 – 3.0 | 2.4 | 2.7 – 3.5 | 3.2 |
| **Argentina** | -4.4 | -10.9 | -2.5 – 4.4 | 2.6 | 4.0 – 5.0 | 4.1 |
| **Euro Region** | 1.4 | 0.8 | 0.9 – 1.7 | 1.1 | 2.0 – 2.7 | 2.4 |
| **Germany** | 0.6 | 0.2 | 0.3 – 0.7 | 0.5 | 1.5 – 1.9 | 1.8 |
| **France** | 1.8 | 1.2 | 1.0 – 1.7 | 1.3 | 2.2 – 2.6 | 2.4 |
| **Italy** | 1.8 | 0.4 | 0.8 – 1.1 | 1.0 | 2.0 – 2.4 | 2.2 |
| **United Kingdom** | 2.0 | 1.8 | 1.7 – 2.3 | 2.0 | 2.0 – 2.6 | 2.5 |
| **Eastern Europe** (incl. CIS)* | 0.0 – 5.1 | 3.4 – 4.3 | 3.1 – 4.1 | 3.8 | 3.4 – 4.3 | 3.7 |
| **Eastern Europe** (excl. CIS) | 2.7 – 3.0 | 2.4 – 2.9 | 3.0 – 3.8 | 3.2 | 3.5 – 4.3 | 4.1 |
| * Growth rates vary as some forecasters include Turkey (recession in 2001) in the region | | | | | | |
| **CIS** | 5.8 – 6.3 | 4.4 – 4.8 | 4.1 – 4.4 | 4.1 | 4.0 – 4.3 | |
| **Russia** | 5.0 | 4.3 | 3.4 – 5.0 | 4.0 | 3.5 – 4.0 | 3.5 |
| **Asia Pacific** | 2.1 | 2.8 | 2.6 | | 3.2 | |
| **Asia Pacific** (excl. Japan)* | 3.7 – 5.7 | 5.3 – 6.5 | 5.1 – 6.3 | 5.7 | 5.7 – 6.5 | 6.1 |
| * Growth rates depend on whether countries were combined at PPP or at market exchange rates | | | | | | |



Alberta Economic Development
Policy and Economic Analysis
June 2003

| | 2001 Actual | 2002 Actual | 2003 Range | 2003 Median | 2004 Range | 2004 Median |
|---|---|---|---|---|---|---|
| **ASEAN-4*** * Indonesia, Malaysia, Philippines, Thailand | 2.4 – 2.6 | 4.1 – 4.3 | 3.9 | | 4.3 – 4.4 | |
| **NICs** * Hong Kong, Singapore, S. Korea, Taiwan | -1.4 – 0.9 | 2.8 – 4.6 | 3.3 – 4.5 | 4.1 | 4.5 – 4.9 | |
| **Japan** | 0.4 | 0.3 | 0.0 – 1.2 | 0.6 | 0.6 – 1.6 | 1.1 |
| **China** | 7.3 | 8.0 | 6.8 – 8.0 | 7.5 | 7.1 – 8.0 | 7.6 |
| **South Korea** | 3.1 | 6.3 | 4.0 – 5.2 | 4.5 | 5.0 – 6.0 | 5.3 |
| **Hong Kong** | 0.6 | 2.3 | 0.3 – 3.0 | 2.2 | 3.3 – 4.0 | 4.0 |
| **Taiwan** | -2.2 | 3.5 | 3.0 – 3.7 | 3.5 | 3.7 – 5.0 | 4.5 |
| **Australia** | 2.7 | 3.8 | 3.0 – 3.2 | 3.0 | 3.4 – 3.8 | 3.7 |
| **Middle East** (incl. North Africa) * Growth rates vary as some forecasters include Turkey (recession in 2001) in the region | 2.0 – 4.1 | 1.7 – 4.5 | 2.9 – 5.0 | 3.8 | 3.9 – 4.8 | 4.0 |
| **Israel** | -0.9 | -1.1 | 0.3 – 0.5 | | 2.2 – 3.1 | |
| **Egypt** | 3.5 | 3.0 | 1.6 – 3.8 | 3.0 | 3.0 – 4.5 | 3.5 |
| **Africa** (Sub-Saharan) | 2.3 – 3.5 | 2.6 – 3.4 | 3.0 – 3.8 | 3.4 | 2.8 – 5.4 | 3.8 |
| **South Africa** | 2.2 | 3.0 | 2.8 – 3.0 | | 3.2 – 3.5 | |

**Release dates of forecasts:**
Economist Intelligence Unit: February - April 2003
Export Development Corporation: February - March 2003
International Monetary Fund: April 2003
World Bank: April 2003
Kiel Institute of World Economics: March - April 2003
Conference Board of Canada: April 2003
Economy.com: April 2003
OECD: April 2003

**Note:** Wherever available, official historical growth rates were used

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